

Singapore IPO

ThaiBev's beer IPO could prove to be Asean bellwether

The spin-off of ThaiBev's regional beer assets has three characteristics likely to draw investors' attention. A successful listing will support the tone for future Thai deals, but, more importantly, set it for Asean ones too.



By **Christopher Chu**
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when Hutchinson Port Holdings Trust raised \$5.5 billion.

Following a year which included ongoing rocky US-China relations and non-profitable technology companies going public, ThaiBev's plans plays on three characteristics unique to any Southeast Asia deal in the pipeline: Renewed interest in Thai deals, proliferating investments for Asean integration stocks, and stable profitability.

A successful listing, mooted for the middle of the year, may not only encourage more IPOs in Thailand, but also Asean players such as Gojek to follow suit.

THAI DEALS ARE FLAVOUR OF THE MONTH

The spin-off is coming to market amid renewed enthusiasm for Thai companies. In a year where Thailand's SET50 index only returned 2.3%, Thai equity deals raised \$3.6 billion in 2019, the most since 2017.

The momentum is likely to continue into 2020, after the establishment of an elected government early last year removed a political overhang in the capital market. However, the reception has thus far proven lukewarm, where share price performances post-listing were below expectations.

Asset World Corp, the property management of ThaiBev's chairman raised \$1.6 billion, took several months to recover losses following its IPO. S Hotels & Resorts, which raised \$250 million, lost almost half its market cap since coming to market.

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“For the first time we were tracking capital gains from IPOs ... 2019 was a year where deals weren’t making money,” says Maria Lapiz, head of institutional research at Maybank Kim Eng Securities Thailand. “The first IPO in 2020 may determine the mood on interests for the year.”

Among the key deals to come includes Central Retail, which is expected to raise more than

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These three alone could surpass the \$3.6 billion raised in 2019, reflecting that from the company's view, domestic politics are in the past, and the market seems ripe for deals going forward.

SINGAPORE: AN ASEAN HUB

But ThaiBev's plans are slightly unique as it intends to list on the Singapore Exchange along with its parent. Given the growth dynamics of the listed company, its profile will gradually become more of an Asean stock, as it expands its business across the 10-bloc community across Southeast Asia.

Foreign investors are keenly focused on Sabeco, the crown jewel of the deal and brewer of Saigon Beer, which ThaiBev purchased in 2017 for about \$5 billion, around 36 times core earnings. With market share recovering to above 40% and management pushing expectation of 50%, investors are hoping to build exposure to a market leader in the Vietnamese consumer space.

“Various structural factors should favour Sabeco, including rising beer demand driven by higher incomes, drinking age population growth, eating out habits, (should lead to) expectations of higher market share and better profit margins at the company,” said Ismael Pili, head of research at VinaCapital Fund Management.

The challenge for investors is building Vietnamese exposure off the local exchange. “Buying equities directly on Vietnam is not easy,” said Sabrina Ren, a portfolio manager at JK Capital Management in Hong Kong. “Foreign ownership limits and thin liquidity are among major hurdles, while there are fewer challenges trading on the Singapore exchange.”

Singapore becoming an Asean hub for local success stories therefore has significant implications. Gojek, the Southeast Asian on-demand multi-service technology group, is

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could be a case for Gojek's consideration.

STABLE STORY

Following several quarters where markets have witnessed unprofitable growth companies list globally, ThaiBev is hoping to benefit from investor fatigue, offering a more stable consumer staples story.

Sabeco reported 22% post-tax profits in 2019 on the back of only 5% topline growth. Investors may also be more forgiving to companies allocating resources to sales and marketing that drive earnings. This is in comparison to high growth companies that have used new capital to subsidise sales for market share gains, such as though seen in the food deliver start-ups.

When the spin-off company lists, it will float between \$10 billion and \$12 billion, sitting it between Hong Kong-listed Tsingtao Brewery and US-listed Molson Coors by market capitalisation. A successful listing will likely encourage not only more companies to list in Thailand, but for more companies with an Asean footprint to raise equity.

ThaiBev has mandated Bank of America, Citi, DBS, HSBC and Morgan Stanley as joint global coordinators for the IPO.

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By ICBC
January 12, 2020



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